

May 25, 1960

Investor's Reader

UNIVERSITY OF ILLINOIS
LIBRARY

MAY 26 1960

CHICAGO



BRUCE GIMBEL
PILOTS RETAIL FORTUNES
(see page 20)

IT'S THE BLUE COINS WHICH COUNT

\$7

Cost of 50 Chlor-
promazine Tablets in

6

Straight Cash

5

Hours of Work

4

3

2

1

0

HR

6

5

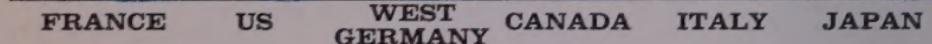
4

3

2

1

0



The Kefauver hearings have produced highly publicized charges about the steep cost of many wonder drugs and the fact the identical prescription is often priced far lower abroad. In strong rebuttal, US drug manufacturers have stressed their huge R&D expenditures and the undeniable requirement that profits on successful drugs must also cover the cost of following dozens of fruitless leads. They further cite the substantially higher research and production costs in the US, also concede the need to "meet competitive prices" overseas.

Another significant aspect of the foreign price differential has been brought out by alert Smith Kline & French which markets potent tranquilizer chlorpromazine in the US under the name Thorazine. Smith Kline has coupled the Kefauver Committee's own figures on comparative prices of the drug with UN statistics on factory wages. The result: while the US price of \$5.05 for a 50-tablet bottle is considerably higher than in Europe or Japan, the average US worker needs only 2 hours and 18 minutes to earn the required amount compared with 4 3/4 hours for his Italian counterpart and over 7 1/2 hours in Japan. Only in France (where the drug was originally developed) would the cost in working time be slightly less.

INDEX

PAGE

| | |
|------------------------------------|----|
| Beauty Counselors wins new friends | 9 |
| Bridgeport Brass chairman commends | 19 |
| Cutter strikes rich vein | 14 |
| El Paso pumps petrochemicals | 8 |
| General Mills praises egg zip | 19 |
| Gimbels tells IR | 20 |
| Inland Steel ore express | 1 |
| Letters from readers | 19 |
| Purolator fast filtration | 12 |
| Rexall polymerizes with El Paso | 8 |
| Wool the world around | 16 |

Investor's Reader

No 11, Vol 34

May 25, 1960

Take a Trip on a Modern Ore Boat

The *Wilfred Sykes* and Captain George Fisher
Ply the Lakes in a Work-a-day Odyssey

THE CAPTAIN peered through the windows of the pilot house, blew two long blasts on the whistle and signaled his engineer, "half astern." He announced on the radio phone, "Security, security, security. This is WC 5932, the *Wilfred Sykes*, Inland Steel Company, now departing the Inland Steel dock at Indiana Harbor."

Thus Captain George William Fisher, 62, let the Great Lakes know the pride of Inland's ore fleet was on her way up Lake Michigan, through the Soo Locks and across angry Lake Superior to Superior, Wis to take on 17,500 tons of ore for the eight hungry blast furnaces at Inland's mill just south of Chicago.

For the *Sykes* this was the ninth trip of the new season which began March 27 when a Coast Guard icebreaker chopped a path for the *Sykes* and fellow fleet member *L E Block* to Escanaba, Mich. On April 13 Captain Fisher won a new hat for himself and cigarettes for his crew by piloting the first ore boat of the season into Superior. He has done this in four previous years. On other trips this year the *Sykes* has had four bad days for one good one. Says Captain Fisher: "I've never seen such a rotten Spring."

The *Sykes* cannot let weather daunt her. She has only one schedule—to make as many trips as she possibly can until the Lakes freeze. Her record is 44 in 1953. This year should see her set a new record. To accomplish this the *Sykes* loads and unloads and goes—fast.

Captain Fisher's departure was at 11:10 AM after five impatient minutes of waiting for the *E A S Clarke* to leave the Youngstown Sheet & Tube unloading dock across the narrow channel in Indiana Harbor.

The smaller ship, owned by Interlake Steamship Company, was ready a few minutes earlier and had the right of way. Before the *Clarke* was even pointed toward the harbor exit, the *Sykes* had her lines clear and was sliding noiselessly away. Soon she overtook the *Clarke*. A little later she was steady on her course and gracefully cruising by the Chicago Loop, about five miles offshore. The sun shimmered down on the blue waters and a tailwind blew. "That's a company wind," said Captain Fisher.

Queenly Beauty. The *Sykes* is big and bulky but her curved lines give the boat grace (see picture). She is called the "Queen of the Lakes" even though newer boats have more carrying capacity or speed. Launched in 1950, the *Sykes* (named for retired Inland president Wilfred) was the first post-War II ore boat to break with 45 years of building tradition. Compared with other boats, she is longer (678 feet *v* around 600), wider (70 feet *v* 60) and carries more (maximum 21,700 tons *v* 13,000). Only this Summer will the *Sykes* yield her throne to Inland's new flagship, the *Edward L Ryerson* which will go into service in a few weeks. The *Ryerson* is 730 feet long and will have exactly 2½ feet on each side when she slides through the Soo Locks. Crew accommodations on both boats are tops (two beds and a bath to a room); guest quarters are sumptuous.

The master of the new vessel will be Austrian-born, self-educated George Fisher—a man in love with his job. He came to Canada in 1914 as a 15-year-old and started at 10¢ an hour in a shipyard in Port Arthur. Now in his 40th season on the Lakes, Captain Fisher earns a salary commensurate with his responsibility for a 39-man crew, a \$5,000,000 boat, a valuable cargo of iron ore and a demanding schedule.

Captain Fisher speaks: "I first love boats when I go to work as a boy in Port Arthur. I saw the boats go out in the dark and wonder

Ready to load at Great Northern ore docks

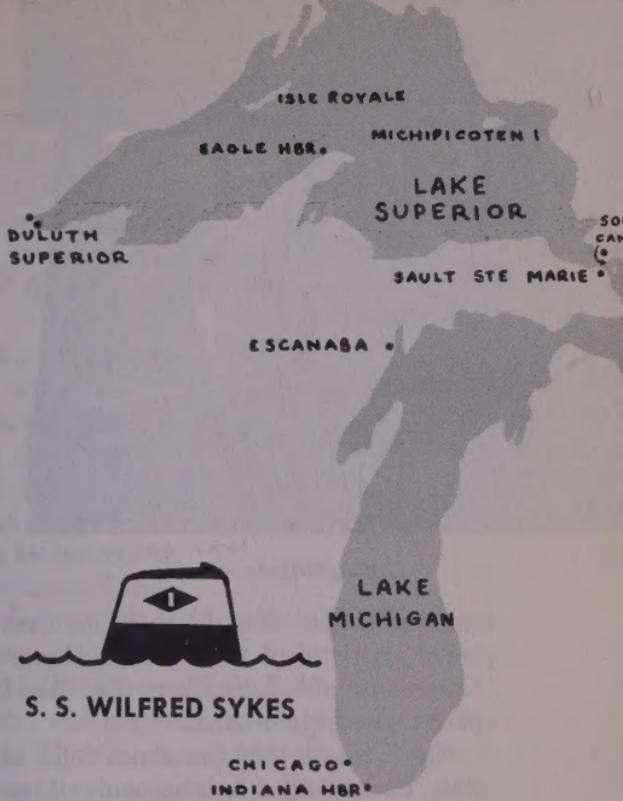


how those captains do that, steering the ships between the islands." He flirted with Lakers late in the season of 1920, then took a job in an oil refinery (Standard of Indiana) but could not resist the call of the steamboat whistle. In 1925 he promoted himself from wheelsman to officer when his captain asked a pointed question: "George, why don't you get your license?"

"I said I hadn't had any school in this country but he said to go ahead anyway. First I had to get busy and get citizenship papers. Then I took a correspondence course in navigation * * * I took the examination which lasted seven days and had 350 questions. You had to explain how to navigate a ship from Point Detour to Whitefish Bay, through the Soo Locks. The question about the Detroit River took all day. On the middle of the seventh day I handed in my paper and the man said 'Go to lunch, George.' When I came back he told me I had a license as a first class pilot."

"Now I had to get a new job." George Fisher went with the Hutchinson Company (now Pioneer Steamship Company), working as second mate, then first mate. In 1936 Hutchinson Company sold a boat to Inland Steel and in 1941 George Fisher got his first captaincy on that vessel, by then called the *Philip D Block*. In 1948 they started to build the *Wilfred Sykes* and Captain Fisher recalls: "I'll never forget that back in Akron when Mr Carl Jacobs [Inland's vp of raw materials] calls me and tells me I'm going to be captain of the *Sykes*. That was my biggest excitement in my life." Now Captain Fisher says: "I can hardly wait till I take over the *Ryerson*."

The *Ryerson* will join 240 ore carriers now plying the Lakes. They have a total trip capacity of nearly 3,000,000 tons and carry an average cargo of 12,311 tons. There are 24 major fleets of ore carriers. Largest is the Pittsburgh Steamship Company, a US Steel subsidiary. Men on the lakes still call her brown boats with silver & black stacks "steel trust boats." When the *Ryerson* cruises into



S. S. WILFRED SYKES

CHICAGO
INDIANA HBR.



IR PHOTO BY WEYMULLER
Captain in civvies . . .

tor since 1931. "Yes, I bought my first stock then at the Merrill Lynch office in Akron. I have been customer ever since. I remember I buy Commonwealth & Southern for 75¢. Later I sold it for \$1.85. I felt pretty good about that."

The Captain now has a portfolio of 26 stocks, many in 100 share lots. He shows a loss on only three of his present commitments. "And since this bear market, I've made good money on Brunswick, American Machine & Foundry and Beckman Instruments. That's the test of how you pick 'em, if you can make money in a bear market."

The Captain does not buy stocks to salt them away in a vault. He is most interested in capital gains and is quite willing to unload a stock if it has not turned out well. But he also is willing to hold a stock for a good many years. He has done so with Ohio Edison, Central & South West and Ingersoll-Rand, not to mention Inland Steel. Because he is off duty several months in the winter Captain Fisher has plenty of time to visit the Merrill Lynch office in Akron. "I study the situation very carefully there." He likes to take "a little jiggle" from time to time and he does a fair amount of trading on margin. The Captain likes aggressive management and growth in a company. However, as he gets older, he begins to think a little more about income rather than capital gains but is sure he wants to get it from utilities rather than bonds of any sort.

When he is on the Lakes the Captain keeps abreast of the market by listening four or five times a day to radio reports from stations along his run. He knows just which ones will give him the fullest reports at what hour. At the Soo Locks he picks up his accumulated *Wall Street Journals* and *INVESTOR'S READERS* and studies them intently.

Typical of the Captain: "This is WC 5932, the *Wilfred Sykes*

action the Inland Steel fleet will have six vessels with an average carrying capacity of 16,800 tons.

Time Out for Stocks.

As the *Sykes* moves over Lake Michigan it is smooth sailing and bright sun. About mid-afternoon Captain Fisher disappears below to his office, comes back in a few minutes and declares: "They're up only 53¢. Looks like the rally didn't materialize. Volume was 2,800,000." The Captain has been an active inves-

calling WMI, Lorain, Ohio on channel 10. I'd like to place a collect call to Merrill Lynch in Akron; Captain Fisher of the *Sykes* calling Mr Shirk. Hello, Mr Shirk, this is Captain Fisher, how are you? Would you please sell 100 shares of Outboard Marine and buy 100 Celanese? Thank you. *Sykes* clear."

In the off season the Captain nearly always takes a trip with his wife. Recent voyages have been to Hawaii and Nassau—"By boat, of course—I don't like to fly. I don't see how those fellows can control those planes." The Captain has a big house in Akron, the sixth one which he has built. At one time he owned an apartment house "but there was too much trouble to take care of the tenants." About house-building he says: "They say you got to build seven before you get the one you like. But I like the one I got."

Land, Ho. Eight hours after leaving Indiana Harbor, the *Sykes* sights Little Sable Point on the Western shore of Michigan. Through the night in the pilot house there are occasional adjustments of the wheel, a little coffee drinking and much conversation.

Not long after dawn the ship nears the majestic though lightly traveled span of the Mackinac Island Bridge, connecting Michigan's Lower and Upper peninsulas. On the port side is Mackinac Island with its Grand Hotel. "Used to be a great place for gambling," says first mate Clarence Miller. Then he points to the buildings put up by the Society for Moral Rearmament.

Passing under the bridge the ship leaves Lake Michigan behind and enters Lake Huron. From early morning till late afternoon the *Sykes* must thread her way between islands and the narrow banks of the St Marys River and negotiate the locks of the Soo Canal.

The Captain walks to the chartroom coffee pot and asks: "How's the dope today?" "It's pretty good," says Third Mate Tony Quadrani, chewing on a cigar he never lights. Taking a cup, the Captain points out the window: "Often in the Fall we see deer coming right down to the bank here to drink. Sometimes I blow whistle; boy, do they run."

Just a little after noon, the *Sykes* cuts her speed to half as she nears the lower pier of the Soo Locks. Captain Fisher blows the whistle two long, two short to ask which lock he will get. Flashing lights tell him to take Number Three. Already the Number Four lock has swallowed up the laker *Tom M Girdler* and she is gradually rising. Captain Fisher signals back one long, one short to acknowledge the signal.



... and in nautical trim

The *Sykes* nears the Number Three lock. Says Captain Fisher: "You think that hole's big enough?"

Someone answers: "Not quite."

"Well the *Ryerson's* going to be five feet wider."

As the boat floats ahead in the canal, a man is swung over the side by rope and is quickly let down to the bank. He is followed by another. These men and two from the canal crew under the watchful eye of Second Mate Art Ritter help ease the *Sykes* into the lock with hawsers and winches. The water is first slowly, then quickly let into the lock; the ship rises and is finally level with Lake Superior, 20 feet higher. It is 20 minutes from closing to opening of gates.

The Brineless Deep. On Whitefish Bay in the Eastern end of Lake Superior the *Sykes* again loses sight of land. The temperature begins to drop from the mid-fifties to the high thirties and a little rain falls. All the way across Lake Superior the weather glowers menacingly but nothing really bad happens. Twenty-one hours later the *Sykes* approaches Superior-Duluth harbor. The Great Northern ore docks, destination of the *Sykes*, are close to the harbor entrance. Nearby is the smaller Northern Pacific ore dock.

Total running time for the *Sykes* was just a little over 48 hours, but she arrived only to find the Cleveland-Cliffs boat *William G Mather* still tied up at the Number One ore dock. Captain Fisher grumbled: "Here we make such good time, then have doggone delay."

As the *Sykes* waited at anchor, a green power boat zipped up to her side, honked twice, threw a rope ladder up the side of the big ore boat. "River pirates," said a *Sykes* crewman. But it was the men from the *Sykes* who invaded the small boat, where they proceeded to buy cigarettes, newspapers, clothes and other necessities. After an hour the *Mather* is loaded and Captain Fisher tells a deckhand: "Sing out to that bumboat we're getting underway here."

Ore loading commences almost immediately. Long trains of freight cars have been hauled onto the dock and ore has been dumped through the bottom of the cars into "pockets" below. The pockets lead by chutes called "spouts" to the *Sykes*. The loading process can be as fast as four hours, but this time it took closer to six because some of the ore was sticky from rain.

Captain Fisher had just time enough to go into Superior for a haircut, a dental date and a couple more errands when the *Sykes* was ready to sail. This is the only time in her regular round-trip the *Sykes* uses a tug. The *Sykes* cleared the breakwall at 7:28. As the newly-laden boat headed back on Lake Superior a bright red sunset prompted Third Mate Quadrani to say with little conviction: "Red clouds at night—a sailor's delight." Already warnings were being broadcast by the Coast Guard and the barometer was dropping. The

next morning the boat was pitching wickedly. The wind was up to 40 knots, the temperature was 28—and, in the merry month of May, it was snowing. All morning the storm raged as the ship made her way along the southern side of Lake Superior. Captain Fisher decided to steer a course he had never used with the *Sykes*. Instead of turning to the southeast as he passed Eagle Harbor, he pointed the boat all the way across the Lake between the Canadian shore and Michipicoten Island. In mid-afternoon the pitching and rolling subsided as the boat came about but ice continued to form on the *Sykes*' pilot house.

"It was on a day like this that we rescued the men from the *Steinbrenner*," Captain Fisher recalls. The ore carrier *Henry Steinbrenner* went down in Lake Superior 15 miles south of Isle Royale on May 11, 1953 with 17 crewmen lost. Two of the survivors were hauled aboard by the *Sykes* in a daring operation in the surging Lake.

Shadows in the Night. Her troubles behind, the *Sykes* plowed on to the Soo, arriving at MacArthur Lock at 2:15 in the morning. Darkness required even more delicate handling than on the upbound course, for the men in the pilot house had only lights and their years of experience to distinguish the various obstacles in the channel. Long before a landlubber reporter could see the shadowy outlines, they were tagged as dredges, ore carriers—or the shore.

It was 7:45 in the morning before the ship was safely through the St Marys River and back in Lake Michigan. Once again the winds blew and once again there was snow but the sea was relatively quiet and the *Sykes* went 16½ mph without event.

By 7:55 the *Sykes* was two lengths from the harbor opening, the wind behind her. Said Captain Fisher: "With this wind she's going to act a little cranky." He took the radio phone and announced the *Sykes*' approach. Then it was a succession of switches from "stop" to "slow ahead" to "slow astern" ("that's the only way we can brake her") and back as the boat was maneuvered past the breakwall and into the ship canal. By 8:35 she was tied up.

The *Sykes*' hatchcovers had long since been removed by the low-slung electric crane which travels the length of the boat on rails. Now the big clam-shells from the bridge cranes on Inland's unloading dock were gobbling up 20-ton bites of ore from the *Sykes*' hold and depositing them well inshore from the water's edge. It would be eight in the evening before the bulldozers would be lowered into the hold to push together the last small piles of ore for the crane to remove. Then the *Sykes* would be ready for her tenth trip, just five days and nine hours after she began her ninth one.

Says Captain Fisher: "If we continue our pace this year we'll beat all our previous records for trips in one season * * * The more you stay in steamboating the more you like it."

BUSINESS AT WORK

FINANCE

Watered Funds

ONE MEANS of financing free from SEC registration, blue sky laws and other strictures was inadvertently but pleasantly discovered last week by the New York Public Library. A Japanese garden pool installed on the library steps as part of the City's Salute to Spring became in less than two weeks a wishing well depositary for \$537.75. The well wishers' funds will be used to finance gingko trees and other capital improvements for the budget-shorted library grounds.

CHEMICALS

Petrochemicals Pair

AT FIRST GLANCE an old-line drug chain and a natural gas pipeline jointly venturing into petrochemicals might seem a bit far fetched but when the companies involved are Rexall Drug & Chemical and El Paso Natural Gas the union becomes quite logical. Both Rexall and El Paso have already traveled far on the popular business highroad of diversification and integration.

Rexall added Chemical to its name a year ago when after a series of acquisitions it became a major factor in the chemicals and plastics fields. Recent additions: plastics housewares maker Tupper Corp; Chemtrol whose plastic ball valves complement Rexall's previously established line of Kraloy plastic pipes and E&A plastic fittings; Carnegies Ltd (specialty pharmaceuticals); Chippewa Plastics (polyethylene film); Injec-

tion Molding (plastic containers).

At El Paso, the world of monomers and polymers has not gained as prominent a spot but is growing in importance yearly. In 1959 petrochemical product sales came to \$23,000,000, represented 5% of total operating revenues *v* 4% the year before. This year chemical vp Cyrus L Perkins figures butadiene and styrene production will bring in \$25,000,000 and over the next five years could mount as high as 10% of corporate volume.

El Paso's petrochemical activities are directed by wholly owned subsidiary El Paso Natural Gas Products Company and are centered in Odessa (240 miles due east of El Paso). Located there is 95%-owned Odessa Butadiene which supplies synthetic rubber makers such as General Tire and United Carbon.

Also in this southwest Texas city is wholly owned Odessa Styrene which produced at the capacity rate of 40,000,000 pounds last year; an expansion project to be completed this Summer will increase capacity by 50%. The bulk of this styrene likewise goes into synthetic rubber, but a little over one-third of last year's output went to Rexall's Seamco Chemical division. Seamco makes polystyrene used in toys, household goods and insulating materials. The Odessa Styrene plant went on stream in 1957 and Seamco has a ten-year supply agreement. The El Paso-Rexall sponsored duo has also cooperated in research activities.

So actually the two companies

were not strangers to one another when last month they announced intentions to combine their producing and marketing talents. In a 50-50 venture they plan to break ground in Odessa late this year for additional plants scheduled to produce ethylene, propylene, polyethylene and polypropylene by early 1962.

Continuing in the role of supplier, El Paso will produce petroleum by-products ethylene and propylene which will be converted to both conventional and linear polyethylene and polypropylene at the new plants. Rexall's existing facilities at Chipewa and the Kraloy-Chemtrol companies (in which El Paso will buy half interest) will then process the plastics into various end products.

Initial capacity of the ethylene and propylene plant will be over 200,000,000 pounds a year while the polyethylene and polypropylene plant will be able to produce 150,000,000-plus annually. Rexall Chemical Company president Ralph Knight reports: "At first the emphasis will be on polyethylene with limited production of polypropylene until demand increases." The project is expected to require some \$75,000,000 over the next four years but neither Rexall nor El Paso have as yet formulated any definite financing plans.

Despite the fact polyethylene's role as fair-haired child of petrochemistry has resulted in a current flood of the versatile plastic, Ralph Knight is not worried. Says he: "There will probably be a continuing oversupply for a while but new developments will broaden its use. There will be plenty of markets for it."

COSMETICS

Beauty Counselors Make-Up

INSTEAD of the usual business center site, Cosmetic vendor Beauty Counselors Inc headquarters in fashionable Detroit suburb Grosse Pointe. The only way to differentiate its office from the colonial homes in the neighborhood is the unobtrusive nameplate at the corner of the front lawn.

This residential atmosphere fits in nicely with the company's cosmetics business. Instead of staffing the shelves of drug, department and variety stores, the company chooses to sell its wares through the efforts of 25,000 women "Beauty Counselors" who call on customers at their homes in each of the 50 states, Puerto Rico, Canada, Britain and Cuba.

These individual "Beauty Counselors" are actually in business for themselves. They buy from the company at wholesale, make their profits by selling at retail. Currently they distribute about 80 basic products which come in more than 400 shades & sizes, include everything milady may need in toiletries—astringent, liquid make-up, lipstick, bubble bath, etc. It even offers a small line of men's toiletries called Jupiter.

No newcomer to the highly competitive cosmetics business, Beauty Counselors began painting faces back in Depression-scarred 1931 when, in chairman Norton S Walbridge's laconic phrase, "purchasing power was retarded." Since women could not sample cosmetics in stores "we came up with the idea of rendering a service direct to the consumer through selection in the home."

Although "sales have increased



Walbridge (l) counsels Beeman

every year we've been in business," the going was slow at first. Chairman Walbridge recalls: "In those days we kept all our products in a filing cabinet and we never had more than \$5,000 invested in the business."

A big problem in the beginning was a sales force. Despite the attraction of a second income, "husbands took a dim view of working wives & daughters. However the women did pitch in on a temporary basis to supplement the family income and when the economy improved they didn't stop. They were having a good time and getting lots of satisfaction from their jobs." Some of the ladies not only sold the goods but bought the stock and "a couple now have investments in the company worth over a million dollars."

Chairman Walbridge will say only "a sizable fraction" of the 729,000 Beauty Counselors shares is owned

by management & employees. Split 3-for-1 in 1958, the stock trades over-the-counter around its high of 42, nearly five times the 1957 price and up 17 points since last year. Dividends are now 25¢ quarterly and while payments have "gone up in each of the past eight years," Norton Walbridge feels "it is premature to discuss an increase this year."

The latest hike was a nickel last December when directors were just closing the books on the best year ever recorded by the company. Sales rose 17% to \$9,800,000 and net income 23% to \$977,000 or \$1.34 a share v \$1.10. For the current year chairman Walbridge states "we want to do as well percentagewise as we did last year" while Beauty Counselors president Ellsworth R Beeman adds, "we'd better." The early pace is promising with first quarter volume up 22% and earnings 28% to 50¢ a share v 39¢.

Foreign Beauties. With the start of 1960 "we picked up results of Beauty Counselors of London for the first time." But this is still a small business and chairman Walbridge states it accounted for very little of the gains. Eventually however, he believes, "it can do several million dollars worth of business."

On the other cheek, Beauty Counselors of Canada (which has been consolidated since 1949) is "a very big operation. We started it 20 years ago and now own 53%; the rest is held by the people in our company who built it." Cosmetics for the Canadian company are turned out by Helfrich Laboratories of Toronto, now a wholly owned subsidiary.

Beauty Counselors also has a wholly owned Cuban operation which was started in 1958. It is not included in its parent's statements "because of the unsettled conditions prevailing in that country." Nonetheless, this subsidiary earned \$2,400 last year *v* a \$9,600 deficit the year before. Chairman Walbridge thinks "we are going to be all right there."

In the US the company's Cosmetic Labs makes about 70% of its products. Private manufacturers turn out the rest "to our formulas." Last year Cosmetic Labs added 20,000 square feet to its Detroit plant "at a cost of \$255,000. This now gives us enough capacity to double our domestic business." This is exactly what Beauty Counselors intends to do. Chairman Walbridge looks to a "\$20,000,000 volume within the next five years."

Mirror, Mirror. Even at that Beauty Counselors is but small change in the giant, competitive cosmetics industry. For instance industry leader and fellow door-to-door cosmetician Avon Products Inc last year racked up \$142,000,000 sales; No 2 seller (through stores) Revlon had a \$125,000,000 volume.

This bothers chairman Walbridge not a whit: "In volume we may stand way behind Avon just as we do with Revlon, Chesebrough-Ponds, Max Factor and the like. But you can't put volume in the bank and our earnings have been good."

In fact Beauty Counselors has about the best profit margins in the industry. Along with Avon it boasts 10% while Revlon has an 8.8% margin, Max Factor 7%. Chairman Walbridge continues: "I can't see

Beauty counsels beauty



any reason why this thing should not go sailing right along." According to the figures published by the Toilet Goods Association 21% of all US cosmetics sales were made in the home last year compared to 14% in 1950. During the same period total industry volume doubled to \$1.7 billion retail. He believes: "There is a growing trend for women to work and that spells out opportunity."

Part of the projected gains will come from new markets. Beauty Counselors has a new Mexican company which will be in operation this Summer and "in three months we will be in Germany." But Beauty Counselors also counts on growth from new lines. It employs four or five pharmacists "who test raw materials and study new products." One: a hair coloring product to "be added to our line this Fall" from which "we expect substantial sales."

MANUFACTURING The Pulse of Purolator

AT HIS desk in Rahway, NJ last week Purolator Products Corp executive vp Joseph Markert emphasized: "From our point of view it's dated to think of Purolator as an auto accessory supplier. It's true we still derive up to 60% of our business from automobile filters but the important points are these—first we are specialists prepared to make filters for any conceivable need and second, filtration itself is becoming an industry.

"Should our fortunes rise or fall with Detroit's in the future it would be no more than a coincidence," he added with obvious satisfaction—

for like other auto equippers Purolator has long wished to reduce its dependence on the volatile Detroit market. Anyway, only one quarter of Purolator auto volume comes from original equipment, three quarters from replacement sales, mostly in gas stations. Joe Markert likes this "aftermarket" since "regardless of how many cars Detroit sells, there are more cars on the road each year and we urge a filter change every few thousand miles for all of them."

The 36-year-old company began an intensive development program for new products and markets about three years ago. Physical evidence of the program is a handsome white research center just being landscaped in Rahway. Through specialized research Purolator has broadened its products (now 3,500) and customers. It serves the drug, chemical, petrochemical, oil, food, cosmetics, aircraft, missile and nuclear process industries. Says Temple grad Markert: "We've just scratched the surface. Considering 15-to-20% of current business comes from products we didn't even make ten years ago, who knows what tomorrow's discovery may bring? After a while a million for this new filter and another million for that one begin to add up."

Finer Filtration. The research center itself, built on modest half-million-dollar proportions, is nevertheless called "the most advanced and complete filtration laboratory in the nation." Purolator president James D Abeles points out the new center will study long-term projects like air and water filtration. It will

also work on new filtering media such as synthetic fibers, plastics, ceramics and porous metals.

The basic challenge of filtration is how to remove ever finer particles from a liquid or gas stream under increasingly difficult conditions of extreme temperature, pressure, toxicity or radioactivity. These tiny impurities are measured in microns—one thousandth of one millimeter. Among Purolator's more sensitive filters are those used in the fuel systems of jetliners Boeing 707 and Douglas DC-8 plus "every major missile and missile launcher."

One important down-to-earth project for the new research center is a practical anti-smog device for Los Angeles drivers "and all others who may someday be required to use them." While not giving away secrets, Joe Markert definitely implies Purolator has anti-smoggers up its corporate sleeve, and calls this field "one of our biggest possible growth areas." However big and growing, the area will no doubt be studded with intense competition. Union Carbide, Universal Oil Products, Arvin Industries, Maremont, Thompson Ramo and numerous others are working on various smog-stoppers.

Filtering Abroad. For a relatively small company (\$25,000,000 assets), Purolator has big international ideas. It has licensed manufacturers in ten foreign countries, all but one (Britain) since 1950. Last year Purolator decided on direct investment in some of the foreign companies as in Mexico and Brazil, plans similar moves in Argentina and Spain.

"We're ready and willing to take the risks of ownership connected with this foreign business," explains ambitious Joe Markert who visualizes a global spread for his company. "The international market lends itself to our scheme of diversification. In South America for example, it's the concept of filtration we're selling, not a given filter."

Shifting to a backward glance, 45-year-old-Markert, who joined Purolator as general auditor 14 years ago, comments on sales in recent years: "They've been gratifying to those of us trying to run this show." Except for dips of 20% in 1952 and 7% in 1958, sales have mounted each year and nearly trebled since 1950. Earnings have shown greater fluctuations but more than doubled during the decade. Last year's \$47,000,000 sales were 32% ahead of 1958's \$35,000,000. Earnings of just over \$2,000,000 came to \$3.12 a share *v* \$2.67 in 1958 and record

Fitting out a filter



per share profits of \$3.86 in 1955.

As for 1960: "We're shooting for \$50,000,000 sales and we're right on target." First quarter volume of \$16,000,000 was up 20% to a new record.

Regardless of everything else, Joe Markert does not have big ideas of listing his company's stock. Puro-lator's 660,000 shares currently trade over-the-counter around 40, up from the year's low of 32 and near the alltime adjusted high of 41 set in 1956. He admits "we've been approached by the NYSE and may list someday if it seems advantageous but for now we'll stay where we are."

DRUGS

Cutter on the Move

OVER-SIZED BEAKERS (un-filled) initialed "CLI" were hoisted on the floor of the American Stock Exchange last week as vice presidents Fred A Cutter and William R Thomas toasted the Amex debut of \$16,000,000-assets Cutter Laboratories of Berkeley, Cal. To most of the public the Cutter name still brings to mind the polio scare of 1955 (though the courts found no negligence by the company). But a peek at Cutter today tells another tale. No longer a polio vaccine producer, it has concentrated on building up its other specialties. In many it ranks No 1 in its field.

For instance Cutter figures it is "the world's leading producer of human blood products." One of the six commercial labs to produce blood fractions for the Armed Forces during War II, Cutter stayed in after

the war and began to produce for civilian use. Bill Thomas calls blood fractioning "one of our most exciting fields" and one with a "tremendous potential. It's just like fractioning crude oil. There are lots of fractions we haven't found a use for yet. They're products looking for a disease."

One blood fraction product which fills his "tremendous potential" prediction is Plasmanate. This is a Cutter exclusive which does everything plasma does but without the danger of infectious hepatitis.

Cutter is also big in blood collection & storage equipment. It pioneered in anti-coagulants which made possible long-term blood storage. Bill Thomas also cites: "We developed the first three-in-one D-P-T vaccine against diphtheria, pertussis [whooping cough] and tetanus." This now faces competition from the four-way vaccine which includes polio "but we think we'll get any lost markets back when the oral polio vaccine gets rolling."

In the field of hospital solutions Fred Cutter figures "we are No 3" after Abbott and Baxter. Here Cutter has a complete line, "was one of the first to offer the solutions in vacuum containers for mass use." One customer: Johns Hopkins which "has tremendous prestige for us."

Cutter's hospital solution work led to the development of the "28" Saftisystem intravenous solution flasks and plastic disposable injection equipment which have been "very well received by our hospitals." Another well-received development: the Peridial system of ir-

rigating the peritoneal cavity. In some respects similar to the artificial kidney marketed by Baxter Labs, "ours does all the work of an artificial kidney. It's not as fast but we think it's much safer since you don't need a skilled team to operate it."

Cutter rounds out with three other lines. Through its Hollister-Stier division which was acquired two years ago Cutter has "the biggest single allergy control lab in the country." Its Haver-Lockhart Labs ranks it as a leading veterinary supplier.

Lastly in the past year or so Cutter has picked up three small plastics companies. "We use plastics in so many of our products and were having trouble with quality so we decided to be our own suppliers." Cutter uses 20-to-25% of their output, throws the rest on the general market. In fact, two years ago it did a big business in hula hoops.

These many products brought in \$21,315,000 worth of sales last year for a 13% gain over 1958. Profits came to \$979,000 or 61¢ a share compared with 54¢. Cutter has made steady gains ever since polio-struck 1955 when sales fell 21% to \$12,217,000 and the company lost \$504,000 *v* a \$748,000 profit in 1954.

The stock has also gained in the past five years. Presently around 18 it is just two points shy of last year's alltime high, compares with a pre-polio peak of 16. It is also a fancy 30 times 1959 earnings.

Though best known in the West, Cutter markets its products throughout the US. Cutter Labs Overseas, with headquarters in Panama, directs worldwide sales. In addition

Cutter has a manufacturing subsidiary in Argentina ("currently not doing so well but getting better") and one in Mexico. It recently formed Cutter Labs Pacific which is 50%-owned by Japanese interests, is "also looking at Europe for either a joint venture or a licensing operation."

Cutter is putting a good deal of emphasis on pharmaceutical research. Of the \$1,250,000 budget for 1960 ("the largest we've ever had") about 70% is slated for "creative research." And 85% of this creative allotment is for new pharmaceutical products in perhaps the most lucrative but also most highly competitive fields in the drug business—central nervous system, endocrine and cardiovascular. The Cutter officials feel "we've got some good leads in each but it's still way too soon to tell if they will pan out into anything for us." The most they hope for is a new product "by the end of 1961 at the very earliest."

Even so Cutter is getting ready. "We are now actively on the lookout for a good pharmaceutical acquisition," preferably one with "an already established detail force which can market our new product when we get it."

Till then Fred Cutter looks for "good steady growth in our own lines. We expect to expand and grow in hospital supplies and we're just getting our feet wet in this foreign business. Japan certainly looks good." Bill Thomas is more specific. He figures 1960 sales at \$22,000,000 with profits 70¢ a share. "That's our official estimate but I'll certainly be surprised if it isn't a good bit more."

The World of Wool in a Synthetic Era

US Has Active Trading Midst International and Inter-Fiber Competition

WHEN THE auction hammer falls in a Sydney, Australia warehouse, the price of wool is being set around the world. Australia has long been the world's No 1 producer, supplies over one-third of the world's wool. It displaced London as the major market place back during War I. Runners-up for the marketing title are now two other large growers and fellow Commonwealth members: New Zealand and South Africa.

Early this month the Sydney auctions resumed after a three-week Easter recess and prices remained fairly steady. The highest bidder paid the equivalent of \$1.47 a pound on a landed-in-Boston basis for the standard "64's quality graded wool shorn from living animals." The price was closely echoed in the Melbourne, Auckland, Port Elizabeth and Capetown markets. Although that price looks encouraging compared to February's \$1.40, it has slid a long way since 1951 when the Korean War scared wool up to \$3.75 a pound or even as late as 1957 when it brought \$1.75.

A current depressing factor is world consumption has tended to level off in the past six months after a rise of 31% since the September 1958 quarter. In the first quarter of 1960 consumption came to 521,000,000 clean pounds in the eleven free major consuming countries, about the same as the final 1959

period. The leveling is due partially to a cyclical textile slump but a far more profound influence has been the ever increasing competition from artificial fibers. When low priced, wool is not too vulnerable but when the price gets too high (and some sources say \$1.40 is generally the switch point), Dacron or Orlon are easily substituted.

While the auction headquarters have irretrievably shifted to the Southern Hemisphere, the most constant bidder until this season was still "Bradford," the Yorkshire textile mill center whose name is used as a collective term for the entire British woolen industry. This year Japan has nosed ahead as buyer but Britain remains the world's largest wool textile manufacturer. To supply its mills, Britain imported some 752,400,000 pounds in 1959, 85% of it from Commonwealth countries. That was almost twice as much as taken by the No 2 importer, the US, which needed 387,400,000 pounds last year to supplement its 293,000,000 home-grown pounds.

Different Supports . . . Domestic wool is one of the principal price-supported commodities in the US but the system used differs drastically from the support price loan and huge Government-sponsored surplus storage so unhappily familiar in wheat, corn and cotton. Growers sell their wool freely through ordinary trade channels. But since their output must compete with the world clip (except for some cushioning from tariffs and quotas),

their prices are necessarily governed by prevailing world prices. Growers are entitled by law to 86% of parity for their grease wool but instead of buying the clip at that price (62¢ a pound for the last four years) the Government pays the grower the difference between support level and the going rate. Although Uncle Sam shelled out \$81,700,000 last year under this direct subsidy plan (or about 20¢ a pound) he at least does not have to take possession of the stuff and thus the taxpayer is not saddled with storage, interest and handling expenses too.

So instead of piling up in US warehouses as "surplus," wool at least keeps moving. One important advantage of this minimum-interference system is the futures market remains an effective hedging medium for growers, dealers and wool consuming textilers. While the volume of trading in most commodities supported by Government loan programs is at historic lows, the Wool Associates of the New York Cotton Exchange reported 1959 volume in grease wool up 286% to a record 54,837 contracts (for 6,000 pounds of unscoured wool delivered in Boston). The previous high was 40,968 contracts in 1952. So far this year volume has stayed within 5% of last year's record pace.

Because of the freedom of the actual market, futures prices move readily to reflect changing conditions. For example the contract for July delivery which now trades around \$1.16 has fluctuated between \$1.41 a pound last August and \$1.12 in February.

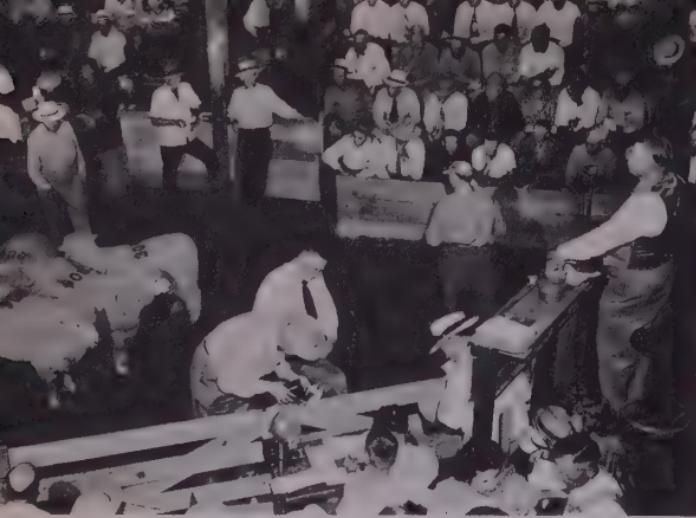
In addition, arbitrage across the Atlantic has added to recent trading volume. Theoretically the US contract should sell above London by just the amount of freight and duty (ie, the New York July futures are now quoted two cents higher than London at \$1.14) but if the differential moves out of the normal range, hedgers and speculators are ready to seize the opportunity for offsetting New York and London transactions until they have helped achieve a return to a more normal price relationship.

... **Support Consumption.**

While total US raw wool consumption has recovered from a weekly rate of 3,227,000 clean pounds during December 1958 to about 5,100,000 in January and February 1960, this remains well below the level of roughly 10,000,000 in the Forties. War-spurred demand aside, a big reason is a substantial increase in imports of processed wool textiles which rose from 2.8% of domestic output in 1950 to 7.5% in 1959.

In an effort to control this trend, domestic processors obtained in 1948 certain extra tariff protection; after imports for each year reach a "peril point" of 5% of the past year's consumption, the ad valorem duty goes up from 25% to 45%. This naturally leads to a mad rush to import early enough to beat the increased levy; this year the cut-rate quota was filled by the first week in March compared to the third week in May in 1959.

An important part of the new imports comes from Japan, currently the world's fastest growing textile



Branded sheep on the block

manufacturer. World consumption of virgin wool in 1959 came to 3,180,000,000 clean pounds, 12% over 1958 and 8% over previous record year 1957. But Japan gained 40% over 1958 (the US was second-biggest gainer with 28%) and 11% over 1957.

The Japanese industry is just 80 years old but since it was virtually obliterated during the war, it has actually made its inroads in the last decade and a half. In 1949 Japan imported 41,000,000 unscoured pounds of raw wool and exported 3,600,000 square yards of wool textiles. Last year the intake was 369,000,000 pounds and the output amounted to 34,000,000 square yards of cloth, making Japan No 3 (behind the US and Britain) in the manufacture of woven textiles.

Synthetic Mix. The major end product of textiles is of course apparel, with men's wear accounting for half of the domestic output in that category. The other big users are carpets and rugs with blankets and upholstery bidding for small

amounts too. Although the industry which makes these products is known as "wool textile manufacturing," nowadays the term includes a rising proportion of man-made fibers. While first rayon and then nylon and the other miracle fibers have long invaded King Cotton's domain, wool-like synthetics have really started to come along only in the past few years with the development of Dacron, Orlon, Acrilan, Dynel, etc.

In the US (by far the biggest user of synthetics though the trend is rapidly spreading around the world), man-made fibers accounted for only 6% of non-carpet "woolen" yarns in 1951, had spun to better than 20% last year. In rugs and carpets, man-made fibers jumped from 6% in 1950 to 21% in 1951 (when early-type nylons made a brief hit) but have had erratic representation in the years since, were down to 15% in 1959.

As for the blanket trade, wool has to compete not only with artificial fibers but with electric blankets, which of course cut heavily into unit volume. Modern upholstery and rug makers lean toward the easily sponged synthetics for the bulk of office, home and automobile furnishings, promote "all wool" as a luxury item.

In apparel, the Commerce Depart-

ment reports US mill consumption of "apparel class" wool has decreased from 379,500,000 clean pounds in 1951 to 271,000,000 in 1959. However wool fabric production has remained fairly steady at 308,000,000 yards last year v 306,900,000 in 1951. The reasons: 1) the trend toward lighter weight fabrics and 2) the full weight of any cloth containing more than 50% wool is reported as wool.

But although wool poundage seems to be in a declining trend, it is far from being eclipsed. Woolen and worsted manufacturers take heart in the fact many of the new synthetics are being successfully combined with wool, actually making new markets, as in the case of men's light-weight "year-round" suits.

Meantime the most glamorless wool product of all enjoys a vogue at the expense of chemical solutions: natural wool grease when refined and purified is known in many cosmetics and pharmaceutical products as the beauty-inducing ingredient lanolin.

WE HEAR FROM . . .

Bridgeport Booster

BRIDGEPORT, CONN

GENTLEMEN:

You ran an interesting story about our Company in the March 16 edition. Naturally I am enthusiastic about the future of our Company. I was for sixteen years President and twelve of these also Chairman of the Board, and saw the Company grow from a volume of less than ten million dollars a year to its present volume. I think its real growth lies ahead.

Mr Zender, our President, is a man whom I hired 25 years ago and who has worked directly for me through various jobs such as vice president in charge of sales and executive vice president before

becoming president and chief executive officer. I have great confidence that he will carry on this business in a very forceful and constructive manner.

I have been a reader of your publication for a number of years * * * I think you render a very valuable service and shall continue to read it with pleasure.

Very truly yours,
HERMAN W STEINKRAUS
Chairman of the Board
Bridgeport Brass Company

Good Egg

MINNEAPOLIS

GENTLEMEN:

Your April 13 article on General Mills and its current operations was very interesting. Fortunately, our egg operation at Jackson, Miss is now on a little better basis than it was a few weeks ago when egg prices reached a 17-year low.

These stories are very interesting and add "zip" to the company's operation although, as you and I know, [these specialized activities] are perhaps not as important to the overall operation as might be implied.

Very truly yours,
D F WRIGHT
Vice President and Comptroller
General Mills, Inc

Raphael Set the Record

CHEVY CHASE, MD

GENTLEMEN:

Shades of Michelangelo, Franz Hals, Rubens, Corot, Joshua Reynolds, Winston Churchill, Dwight D Eisenhower and Grandma Moses!

The [record-priced] Alba Madonna—now at the National Gallery in this city—was painted by Raphael, and he would be most upset to find that Merrill Lynch has credited it to Rembrandt in your April 27 issue.

Sincerely, and with a very superior esthetic gleam in my eye—
TREVOR W SWETT

Our blushing art editor, though strong on 'Riting, is being sent back to school to study up on her other two Rs—Rembrandt and Raphael.
—Ed.

PRODUCTION PERSONALITIES

RETAIL TRADE

Bruce Gimbel Leads Family Empire To New Gains

SUBSTANTIAL sales and earnings gains are always gratifying—the more so if such gains become a habit over a number of years. So president Bruce Alva Gimbel of department store empire Gimbel Brothers Inc can hardly be blamed for his obvious elation last week as he discussed Gimbel's latest tidy blue & white annual. It showed sales for the year ended January up 5% to a record \$404,800,000; profits jumped a full 23% to \$9,809,000 or \$4.82 a share from \$3.85 in 1958 and second only to the \$6.65 posted right after War II (and OPA) in 1946.

The laudable Gimbel showing marks the seventh consecutive sales gain for the department store chain and the sixth increase in earnings in the same period. The one lapse: 1954 when a strike of Pittsburgh department store workers left profits a penny a share below 1953.

By no coincidence the healthy Gimbel record matches the company's energetic expansion program spawned in 1953. A laggard in early postwar expansion, Gimbel saw earnings erode by 75% to \$1.59 a share in 1951 while many competitors got the jump on it in the retail race to the suburbs. True, the company from time to time opened a branch of its elite specialty store Saks Fifth Avenue but for the most part these were downtown shops in major cities. The big downtown Gimbel

stores in New York, Philadelphia, Pittsburgh and Milwaukee and the Manhattan Saks-34th Street unit had yet to expand. Then, as Bruce Gimbel put it, "in the mid-Fifties we decided to give the company a balanced program."

The first Gimbel's suburban store opened amid much fanfare in 1954 in the Southgate shopping center outside Milwaukee. Since then the company has added seven more Gimbel's branches to its four metropolitan stores, two Saks-34th Street branches; also three Saks Fifth Avenue suburban units and two other SFA shops for an SFA total of 20.

Suburb Pilot. The rapid Gimbel expansion also coincides with 46-year-old Bruce Gimbel's tenure as president of the family firm. A fourth generation descendant of Adam who opened the first Gimbel emporium in Vincennes, Ind in 1842, the young president had no difficulty choosing a career. After a stint on the Gimbel's-New York training squad he joined Saks Fifth Avenue as a salesman in 1936, the year after he graduated from Yale with a BA in economics. Save for four years of duty as an Air Corps major during War II Bruce Gimbel has been with the firm ever since. Still an active pilot (see cover), he holds an airline transport license and does much of his business flying his own plane.

In 1946 Bruce Gimbel was named a vice president of Saks. Then in 1953 he succeeded father Bernard F. Gimbel as president of the parent organization when the senior mer-

chant (now 75) moved up to chairman. While his stores have moved into the suburbs, president Bruce has traveled the other way and moved back from Greenwich. He, his wife and three children (two are in college) now live in a Manhattan apartment. But he likes to lead an outdoor life which includes a yearly trek to Maryland for duck shooting.

The Gimbel expansion has spelled many changes for the department store chain. Most obvious is the hefty increase in sales—a 41% rise in seven years without the benefit of a single acquisition or merger. In fact its new and highly lucrative suburban branches now account for almost one quarter of total Gimbel sales and in the next few years Bruce Gimbel figures this proportion could easily rise to 35%.

Suburbia's population explosion aside, there is another reason for this trend. Bruce Gimbel explains: "Our branches have enabled the Gimbel stores to change their overall proportion of goods." Traditionally strong in hard goods—especially appliances and home furnishings—Gimbel stores now do a far greater share of apparel business for the entire family. "Where heretofore it has been difficult to control people's soft goods purchases, we've managed to become strong in these items through accessibility."

The suburban stores have chalked up an even greater percentage of Gimbel profits. Says Bruce Gimbel: "The leverage in the suburban store is not in occupancy costs but rather in the management team which is able to handle a lot more business

with a much smaller addition in staff." One example: centralized buying. For Saks Fifth Avenue this buying is centered in New York for all stores throughout the country. At Gimbel's each of the four central stores have their own buyers who handle both downtown and branch units. In addition "buyers for all the stores try to use the same sources." Last year the four Gimbel's divisions bought \$70,000,000 worth of goods (cost price) from 280 sources. Says Bruce Gimbel: "It takes a buyer only a few seconds more to write out an order for 50,000 shirts than it does for 30,000." Thus while he attributes last year's big profits rise to the fact "all our divisions were doing substantially better," he adds "the branches were definitely a major factor in the gains."

Profit Markup. The specific contribution of suburban branches to total profits is harder to pinpoint than for sales because of "the difficulty in allocating costs of services performed by the parent store." Some retailers charge their branches nothing, others make them "pay" the same percentage of general overhead expenses as their branch sales are of the total. But most retailers charge a flat percentage. "We're in this middle group. We use 8% of branch sales as the overhead charge. This includes buying, customer billing, warehousing, accounts payable, advertising, receiving & marking, etc. And the way we keep our books, our branches by & large make more than the downtown stores even after the 8% charge."

This system is somewhat modified



Gimbel sale lures downtown shopper

for Saks Fifth Avenue. Most Saks stores are "not close enough to be run that way. They therefore get a lower charge, about 3%, which is just for buying costs and executive administration."

Branch store profits do not show up immediately. Says Bruce Gimbel: "It takes about \$50 annual sales a square foot for us just to break even. The exciting part for the stockholders is when we get up to \$60 or \$65 and even higher. Then we really begin to make money."

This is obviously what happened last year with the big jump in Gimbel earnings. But in addition the company was not saddled by any of the hefty startup costs necessary in launching a sizable unit. The only new 1959 opening was a small Saks Fifth Avenue resort store in Palm Springs, Cal "and our Saks open-

ings are somewhat more subdued than others. They require almost no pre-opening promotional expenses."

More Stores. But the expansion program is by no means slowed. This year Gimbel's will open a 250,000 square foot, \$12,000,000 store in the Garden State Plaza at Paramus, NJ, Saks-34th a 35,000 square foot branch in Commack, Long Island. Another suburban Gimbel's unit at Long Island's Roosevelt Field Shopping Center, scheduled for this Summer but delayed because of landlord Bill Zeckendorf's financing problems, "we now hope to open by the Fall of 1961." Both at Garden State and Roosevelt Field, Gimbel's will join projects spearheaded by arch 34th Street rival R H Macy.

Recently announced is a 225,000 square foot, \$10,000,000 Gimbel branch in the great Northeast area

of Philadelphia which is scheduled to open by Spring of 1962. Still further in the future is a second branch for Gimbel's-Pittsburgh and perhaps a Nassau County branch for Saks Fifth Avenue.

Several others are under consideration by corporate executives in the 10th floor headquarters atop Gimbel's-New York. Says Bruce Gimbel: "If all the plans currently committed or which we are thinking about come off, over the next three years we would put another \$50,000,000 into expansion, including working capital." To do this Gimbel's plans no equity financing. Rather it will finance its program, as in the past, from depreciation, retained profits, bank borrowings and mortgages.

Store Owner. Currently Gimbel long-term debt stands around \$55,500,000 of which \$16,100,000 is in subsidiary company mortgages. The company also has 87,700 shares of \$4.50 cumulative preferred (down from an original 180,000 in 1945). Each year 10% of the net profits (after preferred dividends) must be set aside for retiring the senior stock. At the current rate of earnings the preferred will be retired in about eight years.

In addition there are 1,955,000 shares of common of which almost 20% are controlled by the Gimbel family. The rest trade under the GI ticker symbol on the Big Board where they currently command an alltime high of 58, almost five times their 1953 low. In December Gimbel directors celebrated their anticipated good report by upping the quarterly dividend a dime to 55¢.

It had been raised from 40¢ just one year earlier.

The reason for its heavy debt structure is Gimbel prefers to own its properties rather than rent them. It now owns some 20 stores and warehouses including all major units except Saks-34th in Manhattan. Bruce Gimbel further points out: "Where we do rent, with a couple of exceptions, we have options to buy. And we fully intend to buy when the unit's volume makes it advantageous." One location not available for purchase is the Saks Fifth Avenue unit in Detroit's bustling Fisher Building. Manhattan's Saks-34th store is a special case. It is no secret this store has been a marginal operation for years, so some observers speculate about Gimbel intentions when the lease comes up for renewal.

Gimbel properties are carried on the books at a depreciated value of \$48,000,000 (including land), are actually worth more than twice as much. Bruce Gimbel explains his owner's philosophy: "We figure under ownership over a long term we get a more favorable occupancy cost." Comments vp-treasurer Samuel Nass: "Although there is no present intention to do so, if all properties were sold at their present fair values and leased back we could realize cash of at least \$75,000,000, net of capital gains. This would be sufficient to retire all our long-term debt and preferred and add roughly \$12,000,000 to working capital."

With rentals far more than offset by elimination of depreciation charges (currently around \$6,000,000 a year), debt interest and pre-

ferred dividends, he figures a lease-back system could probably add 25¢ a share to present annual earnings. But as president Gimbel nods approval, Sam Nass continues: "While this may sound attractive, long before these leases would have expired we will have retired our preferred and debt and have a company with only common stock and no rentals to landlords."

Another Gimbel policy which runs counter to the trend of most retail trade operations: it finances its own accounts receivable rather than selling them to banks or insurance companies. About half the company sales are on credit and of the \$76,000,000 in accounts receivable outstanding about half are instalment sales.

Downtown and Discounts. While Gimbel's has stressed suburban expansion it has by no means forgotten downtown. Aside from frequent promotions and gimmicks (such as drawings for cars and other prizes) "we've upgraded our assortments and increased our selection." To cash in on these selective advantages, Bruce Gimbel proudly notes "we constantly retrain our sales people to be more familiar with the selection in our stores."

The disappearing downtown shopper has not been the only retailer woe in recent years. A constant nagger has been the discount house.

But Bruce Gimbel feels "we've got this licked." He maintains: "We've been aggressive about not letting the discount houses take advantage of us." Living up to the famous "Nobody but Nobody" slogan, "we sell any number of goods at cost or virtually so."

Another noisome retail problem is ever-increasing overhead costs for labor, paper work, merchandise handling and deliveries, etc. Bruce Gimbel admits "we're watching all the new electronic devices but haven't bought any as yet" * * * someday we might have centralized billing in all our stores." Then he adds with a smile: "Nothing solves overhead like additional business."

And this is exactly what he is gunning for. First quarter 1960 sales were up 4% "and this was done with no new units except tiny Palm Springs." As for profits "I'd guess they were slightly better than the first quarter of last year [60¢]. March was a bad month but we had a very big sales increase in April which should more than offset it."

For the full year he figures "it's a little early to tell exactly. While we may not be able to throw off a normal profits-to-sales ratio in the branches we open this year, they will certainly operate in the black. Barring a recession we should make more money than we did in 1959."

Investor's Reader Staff

Phebe Alexander Anne Gregory
Barbara Buehrig Maryjane Tanahey
Befsey Casey Fred Weymuller
Henry R Hecht, *Managing Editor*

LA RUE APPLEGATE, *Editor*

Production
Carol Trick, *Artist*
Joyce De Mauro
Annette Miller

Contributors

Leonard Bernstein, *New York*
Roger Birk, *Minneapolis*
William P Fisher, *Detroit*
Eugene Grummer, *New York*
Homer P Hargrave, *Chicago*
Mary Wrenn, *New York*

OIL ON WATER

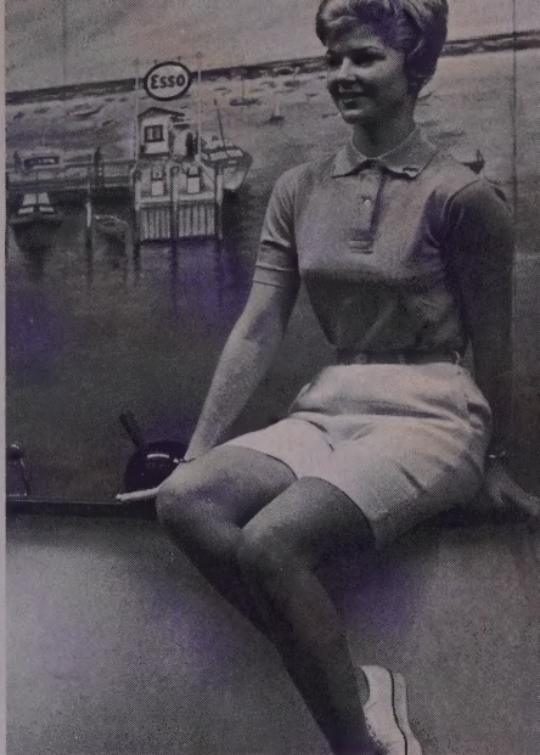
This young lady is all set for "the No 1 participation sport in the country"—which is what its enthusiasts call recreational boating. Americans are expected to spend a massive \$2.9 billion on all aspects of boating activities in 1960, nearly \$400,000,000 more than last year.

According to Socony Mobil's Small Craft division manager George Maxwell, there will be some 8,000,000 pleasure boats on US waters this year, up 200,000 from the end of 1959 and quadruple 1946. Last year's total includes 2,500,000 rowboats, 500,000 sailboats and 4,800,000 power boats of which 3,940,000 were outboards (but outboard motors total 5,845,000).

Small Crafter Maxwell ascribes boating's towering postwar popularity to: "1) too-crowded roads; 2) the opportunity for family togetherness and 3) the big improvement in outboard engines." He expects these factors to keep boating on its fast-growing course in the decade ahead.

Such a continued boating boom is a welcome boon to the nation's oil refiners which already last year found a \$225,000,000 market among the pleasure boaters for lubricating oil, diesel fuel but mostly for an estimated 490,000,000 gallons of gasoline. This is not quite 1% of auto gas consumption but these days the oilmen are especially eager for any profitable addition to their business. Better yet, marine gas sales should grow even faster than the boating population thanks to more powerful motors and more extensive usage. And the increasing use of boat trailers to cart the family flagship from garage to often far-off waters obviously adds to highway gas consumption.

Roughly 90% of the outboarders gas up with the regular auto grades (few go for high-test), most of the rest with special "marine white" gasoline. Half the boat gas is bought right at highway outlets but the boat-conscious oil companies put increasing stress on service at marinas (which have mushroomed from perhaps 100 after the war to about 10,000) like the Esso-catered Atlantic Highlands, NJ facility featured above. Most major oil companies are active in marine outlets but Socony claims the lead (about 15% of the boat business) followed by Texaco, Gulf and Jersey Standard.



PRICELESS

When Johnson and Boswell were taking a boat across the Thames one evening in 1763, they talked at length about the joys and advantages of knowing Latin and Greek. Dr. Johnson turned to the ragamuffin waterboy who was rowing them and asked, "What would you give, my lad, to know about the Argonauts?" And the boy replied, with touching simplicity, "Sir, I would give what I have."

A high price to pay, perhaps. But wouldn't most of us give what we have for a piece of information that was really important to us? Investors in particular know how important it is to have the pertinent facts and figures before buying a company's securities. And for these facts and figures, many of them are prepared to give a good deal of what they have.

We're proud to say that all the investment help and information you want is available from Merrill Lynch free of charge. We have a large and busy Research Department whose members spend their time collecting and sorting and interpreting facts and supplying information to the account executives in our 131 offices and answering the inquiries of investors. And we have never charged a penny for that service.

You don't have to be a customer of ours to enjoy the offices of our Research Department. To be perfectly candid, we offer those services to you in the hope that you will become a customer. But that is only a wish on our part, not an obligation on yours.

So remember that whenever you need investment information, your nearest Merrill Lynch office will get it for you without delay from our Research Department. And there is no need for you to give what you have. Investment help is always absolutely free at Merrill Lynch.

Accepted as controlled
circulation publication at
POUGHKEEPSIE, N. Y.

U OF I LIBRARY
CHICAGO UND GRAD
NAVY PIER
CHICAGO 11 ILL

Published by
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
70 PINE STREET • NEW YORK 5, N. Y.

Please send address changes to
Western Printing Co., Poughkeepsie, N. Y.